

Payment Error Rate Measurement Project Summary

The Centers for Medicare and Medicaid Services (CMS), which is the federal agency that oversees Medicaid and FAMIS, is joining with participating states to pilot test a Payment Error Rate Measurement (PERM) model that will be implemented nation-wide in FY2006. The PERM pilot is an effort to estimate the accuracy of medical payments made to providers by the Medicaid and Family Access to Medical Insurance Security Plan (FAMIS) programs administered by the Department of Medical Assistance Services (DMAS). The pilot runs from October 2004 through September 2005. This PERM model is designed to estimate the ratio of the dollar value of inaccurate payments to the dollar value of total payments made for both the fee-for-service and managed care components of the Medicaid and FAMIS programs. Through weighted aggregation, the state-specific estimates will be used to make payment error rate estimates for the programs at the national level.

The model can be summed up as follows: each state will draw a statistically valid, random sample of claims and capitation payments from all recently adjudicated claims and capitation payments from each program. The state will then review and audit the sampled claims/capitation payments to determine the validity of the payments made. The audit will include an examination of the accuracy of the claims processing system and capitation payment rosters, the medical necessity of the service for which payment was claimed, and the eligibility of the beneficiary who received the service. The dollar amount of any errors identified (underpayments and overpayments) will be tracked and used to calculate the final payment error rate for Virginia.

Virginia currently has over 35,000 actively participating providers. In order to comply with CMS pilot requirements, DMAS will need the assistance of a small number of providers. The sample size for this initiative is modest, so most providers will not be sampled. A few providers will be asked to submit medical records to the DMAS Program Integrity Division beginning in April 2005. No special beneficiary permission is necessary for the release of records. Providers are required to retain and make records available to DMAS under the terms of the Medicaid Provider Agreement. In addition, DMAS, as a covered entity under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), is in compliance with all privacy and confidentiality requirements of the Act.

Providers will need to respond to DMAS with requested documentation within the specified time period to ensure that the state's program is fully credited by CMS for claims that were accurately paid. If documentation is not provided, the amount of the claim will be considered an error, resulting in a higher error rate for DMAS. DMAS will share the findings of the pilot with providers through corrective action plans and identification of educational training programs to address ongoing billing problems.

DMAS' Program Integrity Division will also request Medicaid eligibility determination records from local departments of social services to validate the recipient's eligibility on the date of service according to Medicaid Eligibility Quality Control (MEQC) rules. Not all agencies will be contacted for this project due to the small sample size. FAMIS eligibility records will be requested from the FAMIS Central Processing Unit (CPU). Requests for case files will be initiated in April 2005. Corrective action plans will be developed in coordination with the Virginia Department of Social Services and the FAMIS CPU.

The PERM pilot offers Virginia the opportunity to work with CMS to develop the methodology and manuals for the final PERM regulations. We hope this close working relationship with CMS will benefit the provider community and local social service agencies throughout Virginia by developing a methodology that is both fair and accurate, while providing DMAS with valuable experience for implementing the PERM regulations in FY2006. We appreciate the cooperation of all enrolled providers and local agencies that assist us in meeting this federal mandate. Questions regarding the PERM grant can be directed to Sharon Long, Project Director, at 804-225-4225 or email at Sharon.long@dmass.virginia.gov